

Commercial and Investment

Finance and Performance Report – July 2018

1. SUMMARY

1.1 Finance

Previous Status	Category	Target	Current Status	Section Ref.
Amber	Income and Expenditure	Balanced year end position	Amber	2.1 – 2.4
Green	Capital Programme	Remain within overall resources	Green	3.2

2. INCOME AND EXPENDITURE

2.1 Overall Position

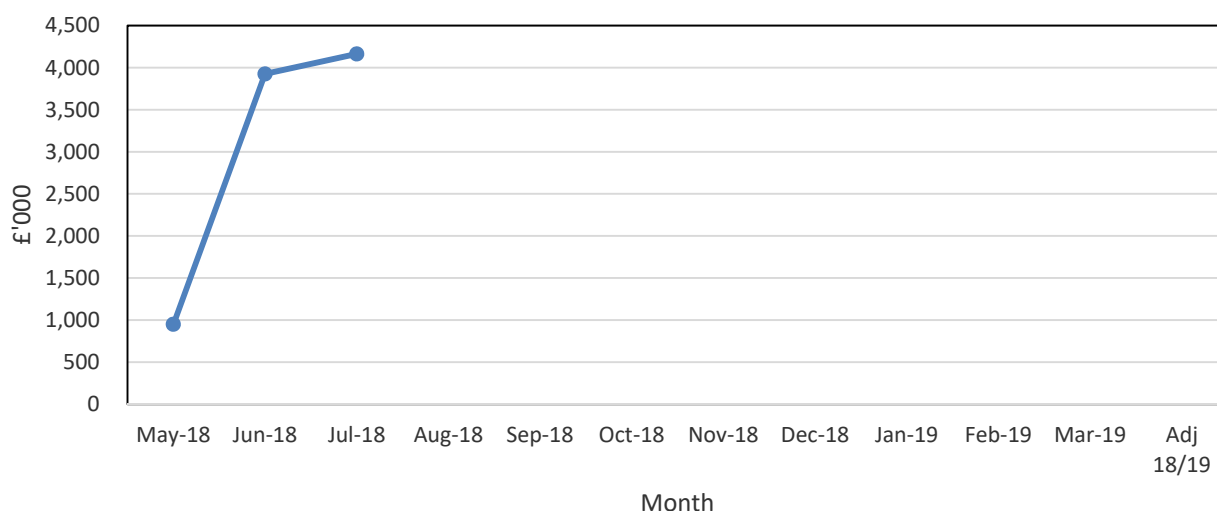
To ensure financial information is presented in a consistent way to all Committees a standardised format has now been applied to the summary tables and service level budgetary control reports included in each F&PR. The same format is also applied to the Integrated Resources and Performance Report (IRPR) presented to General Purposes Committee (GPC). The data shown provides the key information required to assess the financial position of the service and provide comparison to the previous month.

Outturn Variance (June) £000	Directorate	Budget £000	Actual £000	Outturn Variance (July) £000	Outturn Variance (July) %
2,900	Commercial Activity	-9,446	427	2,950	31.2%
-106	Property Services	6,086	1,579	-24	-0.4%
0	Strategic Assets	-4,098	-874	0	0.0%
1,130	Traded Services to Schools and Parents	-1,200	265	1,237	103.1%
3,925	Total	-8,658	1,397	4,163	48.1%

The service level budgetary control report for Commercial and Investment for July 2018 can be found in [C&I appendix 1](#).

Further analysis of the results can be found in [C&I appendix 2](#).

Commercial & Investment Forecast Outturn 2018/19



2.2 Significant Issues – Commercial and Investment

At the end of July 2018, Commercial and Investment is forecast to overspend by £4.163m in 2018/19. This represents an increase of £0.2m from the previous forecast, due to increases in predicted overspends in Outdoor Education, and a decrease in the predicted underspend in County Offices.

Traded Services

The Outdoor Education service is forecasting an overspend of £137k in 2018/19, which is an increase of £107k from the previous forecast. This is due to under-recovery of income at Stibington (£30k) and an ongoing structural pressure at Grafham Water (£107k).

The Grafham Water budget includes an internal loan of £95k in 2018/19 relating to building and improvement works carried out a number of years ago. Although prices have been increased for all user groups and the centre is running at high capacity, the centre is currently unable to generate sufficient income to cover the additional costs of the loan as well as a targeted £42k over-recovery.

The pressures at both centres are being addressed as part of the ongoing Outdoor Centres Outcome Focussed Review, and in-year mitigations are being sought.

Property services

County Offices budgets are forecast to underspend by £24k in 2018/19. The favourable variance reported in June has been partially offset by overspends on maintenance work elsewhere.

2.3 Additional Income and Grant Budgeted this Period

(De minimis reporting limit = £30,000)

No new items were recorded during July 2018.

A full list of additional grant income for Commercial and Investment can be found in [C&I appendix 3](#).

**2.4 Virements and Transfers to / from Reserves (including Operational Savings Reserve)
(De minimis reporting limit = £30,000)**

No virements were recorded in July.

A full list of virements made in the year to date for Commercial and Investments can be found in [C&I appendix 4](#).

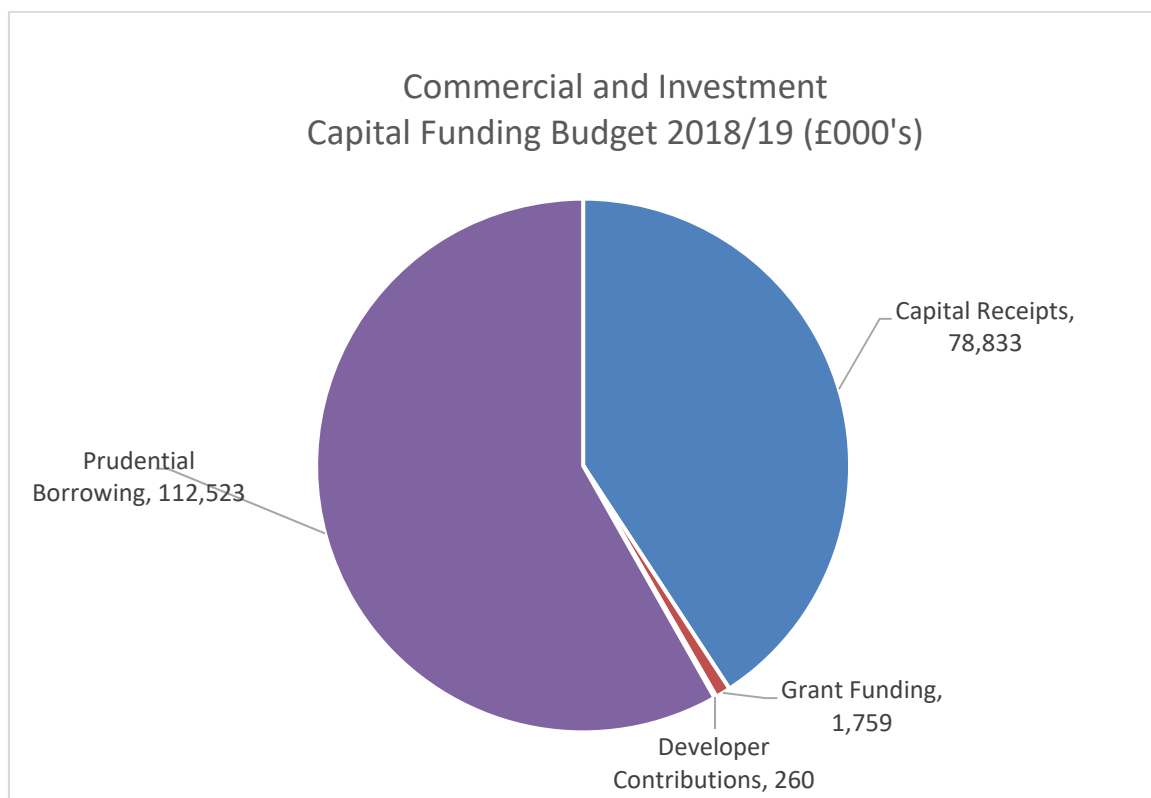
3. **BALANCE SHEET**

3.1 **Reserves**

The Commercial and Investment reserves contain various earmarked reserves and funds held for specific purposes, and capital reserves. The schedule of these reserves can be found in [C&I appendix 5](#).

3.2 **Capital Expenditure and Funding**

Commercial and Investment Committee has a capital budget of £193m in 2018/19, which is funded by the following capital resources:



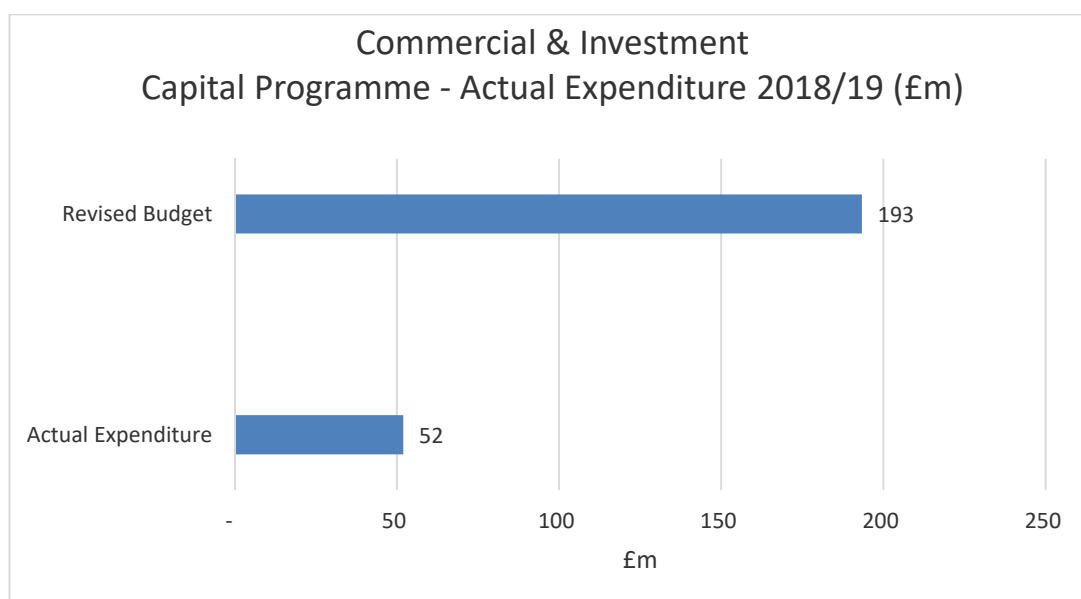
Variations Budget

A summary of the use of capital programme variations budget is shown below. As forecast underspends are reported, these are offset with a forecast outturn for the variation budget, leading to a balanced outturn overall up to the point when slippage exceeds this budget.

Service	Capital Programme Variations Budget £000	Forecast Variance - Outturn (July) £000	Capital Programme Variations Budget Used £000	Capital Programme Variations Budget Used %	Revised Forecast Variance - Outturn (Feb) £000
C&I – Non-Housing	-16,737	0	0	0%	0

Expenditure

Commercial and Investment Committee has expenditure of £52m to date on the Capital Programme, against forecast expenditure of £193m:



In-year variances of £0k are predicted and a balanced position at year-end is currently forecast for 2018/19. Total scheme variances of £147k underspent are expected over the lifetime of the schemes.

There are no new exceptions to report this month.

Funding

Commercial and Investment Committee has capital funding of £193m in 2018/19.

In addition to the carry forward of funds, the July 2018 C&I Committee was asked to approve a virement of £711k from the Shire Hall Building Maintenance budget to the countywide Building Maintenance budget. The Committee's decision was postponed awaiting further information to be provided in this Finance & Performance Report (to be discussed in September committee).

The Property Services team have undertaken a series of conditions surveys across the whole portfolio, including Shire Hall and countywide sites. This has enabled the team to develop a prioritised schedule of works that needs to be completed across the whole portfolio (see Appendix 8 for the schemes already programmed to be delivered in 2018-19). The team's current focus is mainly on mechanical and electrical works that are critical to complete.

The schedule for 2018-19 requires more work to be completed on countywide sites than the Shire Hall site, therefore Commercial and Investment Committee is requested to consider and approve an in-year virement of £711k between the two building maintenance budgets in order to reflect where the most urgent spend is required. Neither of the two budgets are yet fully committed, which is to allow for further review of proposed works and also reactive work to take place if required – if no reactive work is required, then the team will be able to complete more of the schemes on the prioritised schedule of works.

A detailed explanation of the position for Commercial and Investment Committee can be found in [C&I appendix 6](#).

4. PERFORMANCE

- 4.1** Performance data for Commercial and Investment Committee is not currently available as performance indicators have not yet been set for the committee; work to review all indicators is still ongoing. As the committee starts to undertake commercial investment, relevant indicators will be developed in conjunction with the committee and subsequently exceptions will be reported against these.

C&I APPENDIX 1 – Commercial and Investment Budgetary Control Report

The variances to the end of July 2018 for Commercial and Investment are as follows:

Forecast Outturn Variance (June)		Budget 2018/19	Actual July 2018	Forecast Outturn Variance	
£000's		£000's	£000's	£000's	%
Commercial Activity					
2,400	Commercial Investments	-5,100	425	2,450	48%
500	Housing Investment (This Land Company)	-4,346	2	500	12%
2,900	Commercial Activity Total	-9,446	427	2,950	31%
Property Services					
0	Building Maintenance	1,136	499	0	0%
-106	County Offices	4,145	812	-24	-1%
0	Property Services	645	235	0	0%
0	Property Compliance	160	34	0	0%
-106	Property Services Total	6,086	1,579	-24	0%
Strategic Assets					
0	County Farms	-4,905	-435	0	0%
0	Strategic Assets	807	-439	0	0%
0	Strategic Assets Total	-4,098	-874	0	0%
Traded Services to Schools and Parents					
0	Traded Services to Schools and Parents	-408	34	0	0%
0	ICT Service (Education)	-200	-361	0	0%
0	Professional Development Centres	-71	-37	0	0%
0	Cambridgeshire Music	5	496	0	0%
30	Outdoor Education (includes Grafham Water)	-77	199	137	178%
1,100	Cambridgeshire Catering & Cleaning Services	-449	-66	1,100	245%
1,130	Traded Services Total	-1,200	265	1,237	103%
3,925	Total	-8,658	1,397	4,163	48%

C&I APPENDIX 2 – Commentary on Forecast Outturn Position

Number of budgets measured at service level that have an adverse/positive variance greater than 2% of annual budget or £100,000, whichever is greater.

Service	Current Budget £'000	Forecast Variance - Outturn	
		£'000	%
Commercial Investments	-5,100	2,450	48%
<p>Commercial Investment budgets are expected to overspend by £2.4m in 2018/19. The Council has considered and bid on a number of real estate / property acquisition opportunities, and was in the process of making its first investment acquisition, for £38m, as at end of July. Consideration is being given to wider opportunities and procurement of external investment advice is being progressed. A £2.4m pressure against target is considered to be the minimum non-delivery in 2018/19, with the potential for this to rise, although the longer term plan to generate commercial investment income in this way remains sound.</p>			
Housing Investment (This Land Company)	-4,346	500	12%
<p>A pressure of £500k is reported on Housing budgets, due to the assessed value of properties at the point of transfer to This Land, which reflects progress through the planning system (and therefore market value) to date. A series of further loan advances are in progress around a site with a major re-valuation now that planning has been granted as well as construction and cashflow arrangements, although these are unlikely to fully bridge the gap to a balanced position. The company will also be concerned to borrow broadly in line with its needs.</p>			
County Offices	4,145	-24	-1%
<p>County Offices budgets are forecast to underspend by £24k at year-end 2018/19. This is mainly due to the following favourable variances which were first reported during the last financial year:</p> <ul style="list-style-type: none"> • £240k surplus following a reassessment of historic business rates liabilities for children's centres. • £350k saving due to the reduction in rates liability for Shire Hall, £114k of which has been applied to meet the £200k savings target set for Property Services in Business Planning. • £65k saving due to The Meadows, St Ives having been vacated; this is based on the annual budget of £115k less £10k running costs and an estimate of £40k for dilapidations. <p>However, these are largely off-set against the follow overspends:</p>			

Service	Current Budget £'000	Forecast Variance - Outturn £'000	%
<ul style="list-style-type: none"> • There is a predicted £32k shortfall in 2018/19 against the planned savings from the Children's Centre Review, due to delays in vacating the premises; it is anticipated that this shortfall will be mitigated by staff vacancies within P&C Committee. • £400k dilapidation costs for the Cambridgeshire Catering and Cleaning Services cook freeze unit. • £150k pressure due to new security systems required in County Offices. 			
Outdoor Education	-77	137	178%
<p>Outdoor Education is currently reporting a £137k overspend. This is a combination of an anticipated £30k under-recovery of income at Stibbington and an ongoing structural pressure of £107k at Grafham Water.</p> <p>The Grafham Water budget includes an internal loan of £95k in 2018/19 relating to building and improvement works carried out a number of years ago. Although prices have been increased for all user groups and the centre is running at high capacity, the centre is currently unable to generate sufficient income to cover the additional costs of the loan as well as a targeted £42k over-recovery.</p> <p>The pressures at both centres are being addressed as part of the ongoing Outdoor Centres Outcome Focussed Review, and in-year mitigations are being sought.</p>			
Cambridgeshire Catering & Cleaning Services	-449	1,100	290%
<p>As previously reported, Cambridgeshire Cleaning and Catering Services is to close during 2018/19, following a decision in 2017/18 based on the long term decline in prospects for the service and an increasing cost base driven by rising salaries. As the service winds down, approximately 33% of SLAs are phased to end in August 2018, with the remainder ending in October 2018. This pressure therefore represents the non-delivery of a full-year service as well as one-off costs related to closing the service. There is potential for this figure to increase as the one-off costs of closure are further refined and temporary 'diseconomies of scale' come to fruition.</p>			

C&I APPENDIX 3 – Grant Income Analysis

The table below outlines the additional grant income, which was not built into base budgets.

Grant	Awarding Body	Expected Amount £000	Reported
Grants as per Business Plan		783	
One Public Estate	Cabinet Office	515	May 18
Total Grants 2018/19		1,298	

C&I APPENDIX 4 – Virements and Budget Reconciliation

	£000	Reported
Budget as per Business Plan	-8,188	
Transfer of Traded Services salary and recharge budgets to C&I	-74	May 18
Transfer of P&C ICT SLA budget to Director of Education from Head of Traded Services	-134	May 18
Transfer of ESPO dividend budget from LGSS Managed to C&I	-200	May 18
Transfer balance of Cleaning Contract saving from C&I to Corporate Services.	-26	May 18
Transfer Cleaning Contract saving from C&I to Corporate Services budgets.	-36	June 18
Current Budget 2018/19	-8,658	

C&I APPENDIX 5 – Reserve Schedule

1. Commercial and Investment Reserves

Fund Description	Balance at 31 March 2018	Movements in 2018/19	Balance at 31 July 2018	Forecast Balance at 31 March 2019	Notes
	£'000	£'000	£'000	£'000	
<u>Equipment Reserves</u>					
The ICT Service (Education)	680	0	680	0	1
subtotal	680	0	680	0	
<u>Other Earmarked Funds</u>					
North Cambridge Academy site demolition costs	468	105	573	573	2
Cambs Music Reserve	84	0	84	84	3
subtotal	552	105	658	657	
<u>Capital Reserves</u>					
General Capital Receipts	0	-28,535	-28,535	0	4
subtotal	0	-28,535	-28,535	0	
TOTAL	1,232	-28,430	-27,197	657	

Notes

- 1 ICT Equipment Reserve will to be used to replace critical equipment in 2018-19
- 2 Rental income from Bellerbys buildings on the North Cambridge Academy site is being held to offset demolition costs when the lease expires in 2021.
- 3 Annual reserve agreed by GPC to develop and support the Cambridgeshire Music CREATE program which will look to create new purpose-built accommodation.
- 4 Capital Receipts received during 2018/19 will be used to fund the capital programme at year-end.

C&I APPENDIX 6 – Capital Expenditure

1. Capital Expenditure Summary 2018/19

Commercial & Investment Capital Programme 2018/19						TOTAL SCHEME	
Original 2018/19 Budget as per BP £000	Scheme	Revised Budget for 2018/19 £000	Actual Spend 2018/19 £000	Forecast Spend - Outturn £000	Outturn Variance 2018/19 £000	Total Scheme Revised Budget £000	Total Scheme Forecast Variance £000
76,000	<u>Commercial Activity</u>	76,000	38,003	76,000	-	100,000	-
43,086	Commercial Investments	126,376	13,781	126,376	-	184,493	-
119,086	Housing Schemes	202,376	51,784	202,376	-	284,493	-
	<u>Property Services</u>						
-	Office Portfolio	184	114	184	-	345	-
600	Rationalisation	1,471	29	1,471	-	6,290	-
550	Building Maintenance	100	-	100	-	4,791	-
	Shire Hall Campus						
1,150		1,755	143	1,755	-	11,426	-
	<u>Strategic Assets</u>						
100	Local Plans	100	-	100	-	618	-
300	Representations	362	50	362	-	4,820	-
-	County Farms	117	-	117	-	9,994	(87)
	Investment						
100	Renewable Energy	100	-	100	-	5,198	-
	Soham						
1,919	MAC Joint Highways	1,919	-	1,919	-	1,950	-
	Project						
-	Community Hubs -	-	-	-	-	16,606	-
	East Barnwell						
3,330	Shire Hall Relocation	3,330	-	3,330	-	3,645	(60)
	St Ives Smart Energy						
-	Grid	-	-	-	-	-	-
	Other Committed						
	Projects						
5,749		5,928	50	5,928	-	42,831	(147)
53	Capitalisation of	53	-	53	-	-	-
(2,764)	Interest Budget	(16,737)	-	(16,737)	-	(19,903)	-
	Capital Programme						
	Variations Budget						
123,274	TOTAL	193,375	51,977	193,375	-	318,847	(147)

2. Previously Reported Amendments – Capital Expenditure Budgets 2018/19

Capital Scheme	Original Budget 2018/19 £000	Revised Budget 2018/19 £000
Housing	43,086	126,376
This reflects the roll forward of £83m underspends from 2017/18 into 2018/19. It is expected that further rephasing over the remainder of the scheme will be included within the August 18 report.		
Shire Hall Building Maintenance	550	100
In July C&I Committee approved carry forward of £261k funding from 2017/18 into 2018/19, being required to support the general building maintenance programme. In addition to the carry forward of funds, C&I Committee was asked to approve the virement of £711k from Shire Hall Building Maintenance budget to the Countywide Building Maintenance budget, comprising the £261k roll forward, plus a further 450k of the 2018/19 budget. This decision was postponed - see Building Maintenance below for further details.		
Building Maintenance	600	1,471
<p>The budget comprises £160k carry forward £160k from 2017/18 into 2018/19, funding a schedule of works to maintain County Office premises to compliance standards that will not interrupt delivery of Council services.</p> <p>In addition to the carry forward of funds, the July 2018 C&I Committee was asked to approve a virement of £711k from the Shire Hall Building Maintenance budget to the countywide Building Maintenance budget. The Committee's decision was postponed awaiting further information to be provided in July's Finance & Performance Report (to be discussed in September committee).</p> <p>The Property Services team have undertaken a series of conditions surveys across the whole portfolio, including Shire Hall and countywide sites. This has enabled the team to develop a prioritised schedule of works that needs to be completed across the whole portfolio (see Appendix 8 for the schemes already programmed to be delivered in 2018-19). The team's current focus is mainly on mechanical and electrical works that are critical to complete.</p> <p>The schedule for 2018-19 requires more work to be completed on countywide sites than the Shire Hall site, therefore Commercial and Investment Committee is requested to consider and approve an in-year virement of £711k between the two building maintenance budgets in order to reflect where the most urgent spend is required. Neither of the two budgets are yet fully committed, which is to allow for further review of proposed works and also reactive work to take place if required – if</p>		

Capital Scheme	Original Budget 2018/19 £000	Revised Budget 2018/19 £000
no reactive work is required, then the team will be able to complete more of the schemes on the prioritised schedule of works.		
County Farms Investment	300	362
C&I Committee approved carry forward of £62k funding from 2017/18 into 2018/19, to fund ongoing planned works.		
Renewable Energy - Soham	0	117
The budget comprises the carry forward of £117k funding from 2017/18 into 2018/19 to fund the retention costs for the Solar Park, which are now due to be paid in 2018/19.		
Office Rationalisation	0	184
Carry forward of £184k funding from 2017/18 into 2018/19 was approved, for work on office rationalisation, moves and co-location projects - including Sawtry, Hill Rise, Shire Hall, Hereward Hall, Buttsgrove, Scott House/Stanton House and Meadows closure.		
Capital Programme Variations Budget	-2,764	-16,737
In June Capital Programme Variations budgets were recalculated following the rephasing exercise to take account of budgets carried forward from 2017/18. The C&I Capital Programme Variations budget was adjusted by £-14m to £-16.7m. This has reduced the prudential borrowing requirement by £14m.		

3. Previously Reported Amendments - Total Scheme Expenditure Budgets

Capital Scheme	Total Scheme Original Budget £000	Total Scheme Revised Budget £000
None reported.		

4. Previously Reported Exceptions – Capital Expenditure 2018/19

Capital Scheme	Current Budget 2018/19 £000	Forecast Variance - Outturn £000
None reported.		

C&I APPENDIX 7 – Capital Funding

1. Capital Funding Summary 2018/19

Commercial and Investment Capital Programme 2018/19				
Original 2018/19 Funding Allocation as per BP £000	Source of Funding	Revised Funding for 2018/19 £000	Forecast Spend £000	Forecast Variance £000
78,833	Capital Receipts	78,833	78,833	-
1,759	Grant Funding	1,759	1,759	-
260	Developer Contributions	260	260	-
42,422	Prudential Borrowing	112,523	112,523	-
123,274	TOTAL	193,375	193,375	-

2. Previously Reported Amendments – Capital Funding Budgets 2018/19

Capital Scheme	Original Budget 2018/19 £000	Revised Budget 2018/19 £000
Housing	43,086	126,376
As reported above, this reflects the roll forward of £83m underspends from 2017/18 into 2018/19. It is expected that further rephasing over the remainder of the scheme will be included within the August 18 report.		
Shire Hall Campus	550	100
As reported above, carry forward of £261k funding from 2017/18 into 2018/19, being required to support the general building maintenance programme. In addition to the carry forward of funds, Commercial and Investment Committee in July was asked to approve the virement of £711k from Shire Hall Campus to the Countywide Building Maintenance budget. The Committee's decision was postponed awaiting further information to be provided in the July Finance & Performance Report (to be discussed in September committee).		
Building Maintenance	600	1,471

Capital Scheme	Original Budget 2018/19 £000	Revised Budget 2018/19 £000
As reported above, carry forward of £160k from 2017/18 into 2018/19, funding a schedule of works to maintain County Office premises to compliance standards that will not interrupt delivery of Council services. In addition to the carry forward of funds, Commercial and Investment Committee in July was asked to approve the virement of £711k from Shire Hall Campus to the Countywide Building Maintenance budget. The Committee's decision was postponed awaiting further information to be provided in the July Finance & Performance Report (to be discussed in September committee).		
County Farms Investment	300	362
As reported above, carry forward of £62k funding from 2017/18 into 2018/19, to fund ongoing planned works.		
Renewable Energy - Soham	0	117
As reported above, carry forward of £117k funding from 2017/18 into 2018/19 to fund the retention costs for the Solar Park, which are now due to be paid in 2018/19.		
Office Rationalisation	0	184
As reported above, carry forward of £184k funding from 2017/18 into 2018/19, for work on office rationalisation, moves and co-location projects.		

3. Previously Reported Amendments - Total Scheme Funding Budgets

Capital Scheme	Total Scheme Original Budget £000	Total Scheme Revised Budget £000
None reported.		

4. Previously Reported Exceptions – Capital Funding 2018/19

Capital Scheme	Current Budget 2018/19 £000	Forecast Variance - Outturn £000
None reported.		

C&I APPENDIX 8 – Schedule of building maintenance works

Building Maintenance			
Property	Works	Total (£)	Proposed Budget (£)
Ely Library	Lift Replacement	117,000	
Lawrence Court	Structural Works	100,000	
St Neots Library	Lift Replacement	103,000	
Sawtry Youth Centre	Condition Survey & Roof	104,961	
CCS Close Down	Dilapidations	250,000	
Stanton House	Alterations	19,000	
Caretaker William Westley Primary	Kitchen Refurbishment	15,000	
Caretaker Shirley Primary	Kitchen Refurbishment	10,000	
Rock Rd Library	Boiler Plant / Controls / Oil Tank	18,786	
Jasmine House	Lift	25,000	
Signet Court	Distribution Board	18,000	
Butts Grove Day Centre	Drains Paths	40,000	
		820,747	
Proposed additional work under review		708,400	
		1,529,147	1,471,000
Shire Hall			
Property	Works	Total (£)	Proposed Budget (£)
Shire Hall	Redecorations	17,149	
Shire Hall	Boiler Repair	15,000	
PS Project Manager	Project Management	13,000	
Babbage House	Ventilation & Boiler Replacement	20,691	
		65,841	
Proposed additional work under review		52,972	
		118,812	100,000